

ASSEMBLY BILL

No. 1946

Introduced by Assembly Member Papan

February 17, 1998

An act to amend Section 7205.1 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1946, as introduced, Papan. Local sales and use taxes: leased vehicles: point of use.

The Bradley-Burns Uniform Local Sales and Use Tax Law provides that (1) if the lessor of a motor vehicle is a new motor vehicle dealer, as specifically defined by statute in the context of new and unregistered vehicles, the place of use for reporting and transmitting any use tax with respect to the leased vehicle is the city in which the lessor's place of business is located, (2) if the lessor of a motor vehicle is neither a dealer as so described or a dealer as defined by statute in the context of vehicles generally, but purchases the leased vehicle from a dealer within this latter definition, the place of use for reporting and transmitting any use tax with respect to the purchased vehicle is the city in which the selling dealer's place of business is located, and (3) if the lessor is not a motor vehicle dealer as defined by statute either in the specific or general context and purchases the leased vehicle from a source other than either of those types of dealer, any use tax is to be reported to, and distributed through, the countywide pool of the county in which the lessee resides.

This bill would modify the first of these provisions to instead apply its reporting and transmittal requirements in the context of a dealer as defined by statute, as provided, in the context of motor vehicles generally, and would modify the second of these provisions to apply its reporting and transmittal requirements only in the case in which a lessor is not a dealer as defined in this more general context, but purchases the leased vehicle from a dealer who is described by this more general classification. This bill would modify the third of these provisions to apply its reporting and distribution requirements in the case in which the lessor is neither a dealer as defined by statute in the context of vehicles generally or a person purchasing a leased vehicle from a dealer as so generally defined. This bill would also define the term “motor vehicle,” for purposes of these modified provisions, to mean a passenger vehicle, other than a house car, or a light duty truck.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7205.1 of the Revenue and
2 Taxation Code is amended to read:
3 7205.1. (a) Notwithstanding any other provision of
4 law, in connection with any use tax imposed pursuant to
5 this part with respect to the lease (as described in Sections
6 371 and 372 of the Vehicle Code) of a new or used motor
7 vehicle (as defined in Section 415 of the Vehicle Code),
8 the place of use for the reporting and transmittal of the
9 use tax shall be determined as follows:
10 (1) If the lessor is a *California new or used* motor
11 vehicle dealer (as defined in Section ~~426~~ 285 of the
12 Vehicle Code, *without regard to subdivision (i) of Section*
13 *286 of the Vehicle Code*), the place of use of the leased
14 vehicle shall be deemed to be the city in which the lessor’s
15 place of business (as defined in Section 7205 and the
16 regulations promulgated thereunder) is located. If a
17 lessor, who is not a ~~person~~ *dealer* described in ~~this~~
18 ~~paragraph~~ *the preceding sentence*, purchases the vehicle

1 from a dealer ~~(as defined in Section 285 of the Vehicle~~
2 ~~Code)~~ *as so described*, the place of use of the leased
3 vehicle shall be deemed to be the city in which the place
4 of business (as defined in Section 7205 and the regulations
5 promulgated thereunder) of the dealer from whom the
6 lessor purchases the vehicle is located. The place of use as
7 determined by this paragraph shall be the place of use for
8 the duration of the lease contract, notwithstanding the
9 fact that the lessor may sell the vehicle and assign the
10 lease contract to a third party.

11 (2) If the lessor is not a ~~person dealer~~ described in
12 paragraph (1) ~~and purchases the vehicle leased from a~~
13 ~~source other than as described in paragraph (1), or a~~
14 ~~person who is described in paragraph (1) as purchasing~~
15 ~~from a dealer~~, the use tax shall be reported to and
16 distributed through the countywide pool of the county in
17 which the lessee resides.

18 (b) Except as described in paragraph (1) of
19 subdivision (a), this section shall not apply if the dealer
20 or leasing company entering into the lease agreement is
21 located outside of California.

22 (c) (1) The provisions of this section shall apply to
23 lease transactions entered into on or after January 1, 1996.

24 (2) *Commencing on January 1, 1998, the amendments*
25 *made by the act adding this paragraph shall apply to lease*
26 *transactions in accordance with paragraph (1).*

27 (d) As used in this section, ~~the word “city”~~ *the*
28 *following definitions shall apply:*

29 (1) “City” means a city, city and county, or county.

30 (2) “Motor vehicle” means a passenger vehicle (other
31 than a house car) or a light duty truck.